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The Honorable Christopher M. Alston
Chapter 7
Location: Seattle, Washington

UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re:

COLLEEN CHRISTENSEN,

Debtor.

Bankr. No. 16-15085-CMA

EDMUND J. WOOD, Trustee of the Estate of
Colleen Christensen,

Plaintiff,

v.

Adv. Proc. No. 17-01072-CMA

UNITED STATES OF AMERICA, on behalf of
its agency, the DEPARTMENT OF THE
TREASURY, and its bureau, the INTERNAL
REVENUE SERVICE,

Defendant.

AMENDED STIPULATION ON
COMPLAINT FOR AVOIDANCE OF
TAX PENALTIES AND INTEREST
AND SUBORDINATION OF CLAIM

Plaintiff Edmund J. Wood, Chapter 7 Trustee of the estate of Colleen Christensen
("Plaintiff"), and Defendant United States of America, on behalf of its agency, the Internal Revenue
Service ("IRS"), hereby stipulate and agree as follows:

AMENDED STIPULATION ON COMPLAINT - 1
(A17-01072-CMA)

UNITED STATES ATTORNEY
700 STEWART STREET, SUITE 5220
SEATTLE, WASHINGTON 98101
(206) 553-7970

1 1. Plaintiff is the duly appointed and acting Chapter 7 Trustee in the Chapter 7
2 Bankruptcy Petition of Debtor Colleen Christensen (“Debtor”).

3 2. Debtor filed her Chapter 7 Bankruptcy Petition on October 6, 2016.

4 3. At the time of Debtor’s bankruptcy petition, Debtor owned real property located at
5 3917 E Olive St, Seattle, WA, legally described as follows: “Lots 1 and 2, Block D, Madrona
6 Heights Addition, according to the plat thereof recorded in Volume 9 of Plats, page 100, records of
7 King County, Washington. Situate in the County of King, State of Washington” (“Real Property”).

8 4. On January 19, 2017, the IRS filed its first proof of claim for \$290,212.81 and
9 thereafter amended its proof of claim on January 20, 2017, January 27, 2017, May 18, 2017, June 14,
10 2017, and October 6, 2017. [Claims Register 5.]

11 5. The IRS’ October 6, 2017 proof of claim (“Amended Claim”) is for \$290,212.81 and
12 consists of a secured claim for \$277,845.66 and a general, unsecured claim for \$12,367.15. [Claims
13 Register 5-6.] The IRS’ claim is secured by Notices of Federal Tax Lien filed with the King County
14 Auditor, which attaches to Debtor’s Real Property. *Id.* The secured portion of the IRS’ Amended
15 Proof of Claim includes penalties and interest on penalties in the amount of \$65,286.02. [See Claims
16 Register 5.] The IRS’ Amended Claim has not been objected to and is therefore deemed allowed
17 pursuant to 11 U.S.C. § 502(a).

18 6. On May 11, 2017, Plaintiff filed a Complaint for Avoidance of Tax Penalties and
19 Interest and Subordination of Claim, [Docket No. 1], seeking to avoid penalties and interest on
20 penalties on the IRS’ secured claim pursuant 11 U.S.C. § 726(a)(4) and seeking to subordinate the
21 IRS’ tax liens to costs of administration pursuant to 11 U.S.C. § 724(b)(2).

22 NOW, THEREFORE, IT IS STIPULATED

23 7. The penalties and interest on penalties in the amount of \$65,286.02 on the IRS’ claim
24 secured by NFTLs shall be avoided pursuant to 11 U.S.C. § 724(a) and 11 U.S.C. § 726(a)(4) and
25 preserved for the benefit of the estate pursuant to 11 U.S.C. § 551.

26 8. The IRS’ secured claim secured by NFTLs against Debtor’s Real Property shall be
27 subordinated to costs of administration claims pursuant to 11 U.S.C. § 724(b)(2).

28 9. Pursuant to 11 U.S.C. § 724(b)(2), the proceeds of the property that is subject to the
29 secured lien of the IRS shall be distributed to cost of administration creditors as specified in 11

1 U.S.C. § 507(a)(1)(C). The IRS will retain any claims pursuant to 11 U.S.C. § 724(b)(3) and (5).
2

3 10. If a discharge is not entered in bankruptcy case number 16-15085, or the case is
4 dismissed, this Amended Stipulation and accompanying Order do not affect the validity or
5 enforceability of the NFTLs on the Real Property and may not be used in any subsequent bankruptcy
case.

6 11. This Amended Stipulation may not be altered, modified, or otherwise changed in any
7 respect except in writing, duly executed by all of the parties or their authorized representatives. Any
8 attempted oral or implied amendment, modification, or waiver shall be null and void.

9 12. This Amended Stipulation is subject to the approval of the Bankruptcy Court. In the
10 event that the Bankruptcy Court declines to approve this Stipulation, it shall be null and void, with
11 no force or effect.

12 APPROVED FOR ENTRY BY:
13

14 ANNETTE L. HAYES
15 United States Attorney

16 /s/ Pooja Faldu Davé
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